CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

ANNUAL REPORT 1981

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CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

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Crown Investments Corporation of Saskatchewan
2400 College Avenue
Regina, Saskatchewan
S4P 1C8

Letter of Transmittal

Regina, Saskatchewan,
March 26, 1982.

To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the fourth annual report of the Crown Investments Corporation of Saskatchewan for the year ending December 31, 1981, including the consolidated financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Crown Corporations Act, 1978.

I have the honour to be, Sir,

Your obedient servant,

Elwood Cowley

Elwood Cowley,
Minister Responsible,
Crown Investments Corporation
of Saskatchewan.

Highlights & Major Developments

		1981	1980	1979	1978	1977
Revenues	millions	$1,749	$1,403	$1,147	$ 932	$ 705
Net Earnings	millions	$ 119	$ 183	$ 108	$ 68	$ 43
Assets	millions	$5,065	$4,362	$3,469	$3,047	$2,392
Province's Equity	millions	$1,516	$1,196	$ 965	$ 829	$ 701
Taxes & Royalty Payments to Province	millions	$ 131	$ 140	$ 100	$ 65	$ 44

Saskatchewan Telecommunications inaugurated the first phase of its fibre optic network, which when completed, will extend cable television to many communities and ultimately pave the way for a host of new and exciting consumer, industrial and educational services.

The **Potash Corporation of Saskatchewan** continued expansion of the Rocanville mine and undertook further studies for a potash mine at Bredenbury, ventures which will secure abundant returns to our province in terms of revenue and jobs.

Saskatchewan Mining Development Corporation's Cluff Lake mine began production and experienced its first year of sales. Work continued on the Key Lake mine, which, when in operation, will be the largest uranium mine in Canada.

Saskatchewan Minerals purchased the Sybouts Sodium Sulphate Company with plans to expand production to meet growing demands in the pulp and paper and detergent industries.

The **Saskatchewan Power Corporation** continued work on the Nipawin hydro project and the Poplar River coal-fired generating station, major projects which will play a key role in meeting the province's future energy needs.

A five-company consortium, in which **Saskoil** is a 25% partner, proposed to build a heavy oil upgrader in Saskatchewan, a venture which holds the key to many economic opportunities and a massive boost to construction and service industries.

Saskatchewan Economic Development Corporation's Innovation Place — a major research complex — opened its doors in 1981. It has as its major tenants PCS Mining, Saskatchewan Computer Utility Corporation, the Saskatchewan Research Council and Northern Telecom, all actively involved in developing a broader base of mining and scientific knowledge for Saskatchewan.

Board of Directors

Honourable Elwood Cowley
Chairman of the Board

Honourable Allan Blakeney

Honourable Walter Smishek

Honourable Ted Bowerman

Honourable Don Cody

Honourable Ed Tchorzewski

Eiling Kramer

G. H. Beatty

Secretary to the Board — R. M. Sherdahl

Officers

G. H. Beatty
President

S. R. Barg
Vice-President
Finance and Corporate Planning

R. M. Sherdahl
Vice-President
Corporate Services and Secretary

M. J. Tabouret
Senior Vice-President
Corporate and Economic Development

T. J. Waller
Acting General Counsel

J. L. Walton
Corporate Officer

G. E. Waddington
Corporate Officer

J. M. Barry
Vice-President
CIC Industrial Interests Inc.

P. J. Rody
Assistant to the President

G. W. MacLean, Director
Capital Plans Department

D. F. Axtell, Director
Board Relations Department

H. J. Matthies, Director
Pension and Administration Department

G. R. Armstrong, Director
Personnel and Industrial Relations Department

C. A. Scotton, Director
Public Affairs Department

E. M. France, Director
Developmental Projects

Chairman's Remarks

This is the fourth annual report of the Crown Investments Corporation of Saskatchewan, including a consolidated statement of the 1981 performance of the Province's commercial Crown corporations. These corporations play an important role in the development of our natural resources, supply utilities throughout our province, and provide a variety of financial and other services to Saskatchewan people and businesses.

1981 was a year of economic uncertainty for Canada, as inflation and interest rates soared to record heights. Saskatchewan cannot be immune to these conditions, but nevertheless maintained one of the best employment levels in North America and was the leader in economic growth among the Canadian provinces. This enviable performance was largely because of the widening base of the Saskatchewan economy which is enabling us to create an increasing number of jobs and income opportunities in resource development, manufacturing and the numerous small businesses that arise from major industry.

The Crown corporations of Saskatchewan are continuing to play a leading role in this strategy for provincial economic development, with resource corporations currently at the forefront.

The Potash Corporation of Saskatchewan, despite softening product prices, has had another successful year of extracting and marketing an important Saskatchewan resource. Major expansion of the corporation continued in 1981 in anticipation of long-range requirements for potash fertilizer in many countries around the world.

World energy shortages have placed a high priority on the exploration and development of Saskatchewan's uranium and heavy oil resources. The Saskatchewan Mining Development Corporation and the Saskatchewan Oil and Gas Corporation are going through periods of rapid growth, positioning themselves well in their industries to take advantage of the projected future demand for these valuable energy sources. The investment requirements of this extensive development are great, but will provide this province with significant long-term returns and an assured energy supply.

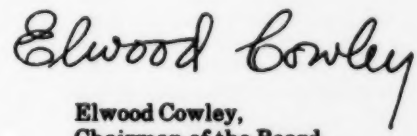
The Crown corporations in the financial and service sector also performed well in 1981 — a challenging year of high operating costs and unstable financial markets — and our utilities corporations continued to provide a high quality of service to the Saskatchewan public.

In reviewing the contents of this annual report, one cannot help but note the variety of enterprises owned by the people of Saskatchewan through their commercial Crown corporations and the equity shareholdings in private sector companies which CIC holds for the Province. These enterprises are doing an excellent job, and the quality of life we enjoy in Saskatchewan has been and will continue to be improved by their presence.

An important factor in the effectiveness of Saskatchewan's public enterprise is the Crown Investments Corporation, whose task is to monitor and direct these extensive Crown investments. I am convinced that this innovative system of administration is an essential element of successful economic development by the public sector, and that it is becoming more valuable as our development possibilities become more plentiful, investment monies become more expensive, and new directions for public enterprise must be carefully weighed. It is a time of great opportunity for Saskatchewan, and the Crown corporations are well equipped to meet the special challenges which this decade will present.

On behalf of the Crown Investments Corporation, I would like to thank the nearly 14,000 Crown corporation employees for their efforts during 1981. This dedicated service is crucial to the success of the corporations' endeavours. My thanks go as well to the Boards of Directors of the Crown corporations for their invaluable guidance and assistance in policy development.

I have always had confidence in Saskatchewan's economic future. It is encouraging to note that this optimism is now being voiced by others outside our province, and it is gratifying to realize that Saskatchewan's Crown corporations are playing a key role in fulfilling this promise.



Elwood Cowley,
Chairman of the Board,
Crown Investments Corporation
of Saskatchewan.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Utilities

Saskatchewan Power Corporation (SPC)

Saskatchewan Telecommunications (Sask Tel)

Saskatchewan Computer Utility Corporation (SaskComp)

Saskatchewan Water Supply Board

Resources

Potash Corporation of Saskatchewan (PCS)

Saskatchewan Mining Development Corporation (SMDC)

Saskatchewan Oil and Gas Corporation (Saskoil)

Saskatchewan Forest Products Corporation

Saskatchewan Minerals

Financial and Service

Saskatchewan Economic Development Corporation (SEDCO)

Municipal Financing Corporation of Saskatchewan

Saskatchewan Government Insurance (SGI)

Saskatchewan Development Fund Corporation

Agricultural Development Corporation of Saskatchewan

Saskatchewan Transportation Company (STC)

The Saskatchewan Government Printing Company

Saskatchewan Fur Marketing Service

Overview

Crown Investments Corporation of Saskatchewan

The Crown Investments Corporation was originally established in 1947, under the name The Government Finance Office. The Corporation was continued by The Crown Corporations Act, 1978, under the name, Crown Investments Corporation of Saskatchewan. This annual report provides an overview of CIC's operations and its financial results for 1981. Further information is available on each of the seventeen Crown corporations in their individual annual reports.

CIC acts as a holding company for the Province's commercial Crown corporations and certain other investments. It approves the corporate plans and capital budgets of these companies, provides them with broad policy direction and acts as a financial intermediary between them and the Provincial Government. It also provides legal and accounting services and assists the corporations in the areas of public affairs, general administration and personnel and industrial relations. Members of CIC management sit on the boards of directors of the Crown companies, and staff from the Corporate Services Division serve as secretaries to these boards as well.

A less easily defined, but no less important role for CIC is to act as a catalyst in broadening the base of Saskatchewan's economy, to improve its stability during market and climatic fluctuations by deliberate expansion of the resource and manufacturing sectors.

This has been accomplished in a number of ways: the creation of new Crown enterprises, the diversification of existing ones, increased joint venture activity by the

Saskatchewan Power Corporation

Chairman —
Honourable Doug McArthur
President —
R. H. Moncur

SPC supplies electricity and natural gas to Saskatchewan consumers.

In 1981, the Corporation sold 3.9% more electricity than it did in 1980. Meanwhile, the total demand for natural gas declined by 7.1%, partly because of a warmer than normal year and partly because of conservation measures.

In 1981, the Corporation spent $213 million to expand its electrical facilities. SPC finished the first unit and continued work on the second unit of the Poplar River Power Station, bought the hydro electric generating station at Island Falls and started work on the Nipawin hydro electric project.

The Corporation also invested $5 million in its gas development program, bringing its total expenditures since 1972 to $102 million. In natural gas reserves at year end, SPC owned, either wholly or under contract, a total of 57,452 million cubic meters. This means that, at the present rate of consumption, the Corporation will be able to meet the Province's gas requirements for the next 20 years.

On total revenues of $525 million in 1981 ($447 million in 1980), the Corporation reported a net loss of $2.3 million compared to a $20.5 million net profit in 1980. The decline in net income was primarily due to higher interest rates and reduced sales due to milder than normal weather.

With the increasing cost of new energy sources, the emphasis on conservation has increased dramatically, both internally and externally. Energy conservation is now SPC's cheapest new source of energy.

Saskatchewan Telecommunications

Chairman —
Honourable Don Cody
President —
A.L.M. Nelson

Sask Tel constructs, maintains and operates a provincial telecommunications system, provides telecommunications and participates in establishing, constructing and operating a co-ordinated telecommunications system in Canada.

There were 652,009 telephones in service in Saskatchewan in 1981, an increase of 5.4% over 1980. Long distance calls originating in Saskatchewan in 1981 totalled 83.9 million, a 10% increase over the previous year.

Sask Tel invested $136.7 million in the improvement and expansion of telecommunications facilities, increasing the value of Sask Tel's property, plant and equipment to almost one billion dollars. Twenty-six rural telephone

Crown corporations, or direct participation in significant private sector projects by CIC as financier or shareholder.

CIC has a unique perspective on Saskatchewan's resources and economic potential, developed through its knowledge of the Crown corporations and its participation in other companies which are important to the provincial economy. This perspective and strategic position enables CIC to play a vital role in economic development and diversification.

Consolidated Financial Performance

Net earnings for the consolidated Crown corporations were $119 million in 1981, down from $183 million in 1980. This drop was largely attributable to the record-high interest rates which were applied to the external borrowings required to finance a number of major projects.

Another factor was the softening potash market, which forced the Potash Corporation of Saskatchewan's net earnings to drop 15% to $141.7 million. The Potash Corporation is just one of five corporations in the resource sector, who have as their major goal the maximization of returns from Saskatchewan's natural resources. Many of their major projects recently undertaken will not produce significant returns in the immediate future as they are still in the early developmental stages.

companies were assimilated under the Rural Service Improvement Program. By the end of 1981 Sask Tel's cable T.V. distribution system was serving 97,601 subscribers in five urban centres.

During 1981 construction continued on the fibre optic network, and in December the Regina-to-Yorkton fibre optic link became the world's first commercial fibre optic network to carry cable T.V. signals. The use of this new technology will provide Saskatchewan residents with a telecommunications network of almost unlimited capabilities. The fibre optic network will carry traditional long distance messages and extend cable T.V. to many communities within the province and ultimately pave the way for many new consumer, industrial and educational services.

Operating revenue increased by 18.8% to $267.6 million and operating expenses increased by 22.6% to $199.9 million. The Corporation showed net earnings of $24.3 million (1980 - $24.8 million).

Saskatchewan Computer Utility Corporation

Chairman —
Honourable Murray Koskie
General Manager —
B. A. Lundeen

SaskComp is a computer service corporation serving, primarily, the Crown corporations, the Government of Saskatchewan, and the Universities of Saskatchewan and Regina. It also serves, to a lesser extent, other agencies and institutions, both public and private.

SaskComp's services include the provision of computer services, and systems analysis and planning, program development and equipment selection and installation. It is also responsible for rationalizing the development and utilization of computer hardware and software within and among the government funded agencies.

The net income for 1981 is $558,000 ($471,000 in 1980). Total assets of $9,777,000 are up from $8,550,000 in 1980. Revenue per employee increased from $86,000 to $107,360 in 1981, giving SaskComp one of the highest productivity rates in the industry.

Saskatchewan Water Supply Board

Chairman —
Honourable Ted Bowerman
General Manager —
G. A. Telfer

Saskatchewan Water Supply Board with headquarters in Watrous, develops and operates multipurpose water supply systems serving industrial, municipal, recreational, agricultural, wildlife and domestic users in the Saskatoon area.

The Corporation supplied 1.52 billion gallons of water to its customers in 1981, an increase of 5.6% over the 1980 volume. Net earnings for 1981 were $575 thousand, up from $558 thousand in 1980.

Saskatchewan Mining Development Corporation, for example, completed initial construction work at the Key Lake uranium mine, while it achieved its first year of sales from the Cluff Lake mine in which it holds a 20% interest. Saskatchewan Mining Development Corporation's 1981 net earnings were $5.6 million, a significant increase from its 1980 net loss of $5.8 million.

In 1981, Saskatchewan Oil and Gas Corporation continued its aggressive exploration program, concentrating on the development of Saskatchewan's large heavy oil deposits. Due to a slowdown in the industry, the Corporation showed a loss of $0.8 million in 1981, down from its 1980 profit of $5.7 million. Saskatchewan Oil and Gas Corporation sees this slowdown as temporary and plans to continue its role as a catalyst in the industry, particularly in the area of heavy oil. Saskatchewan Oil and Gas Corporation is a 25% partner in a five-company consortium proposing to build a heavy oil upgrader and has begun researching the feasibility of a coal liquifaction plant, an endeavour which would be a major breakthrough in the area of alternate fuels.

Projects such as these can be a significant influence for the creation of jobs and the stimulation of related economic activities throughout the province. In 1981, employment in the resource corporations rose by 18% to a total of approximately 3,600 jobs.

The corporations in the utilities sector have as their aim the provision of goods and services at a reasonable cost, while ensuring that future needs will be met. These corporations employed almost 8,300 people and recorded total net earnings of $23 million in 1981, down from previous years. This was largely due to a significant

Potash Corporation of Saskatchewan

Chairman —
Honourable Roy Romanow
President —
D. S. Dombowsky

The Potash Corporation, through a wholly owned subsidiary, PCS Mining, operates mines at Allan, Cory, Lanigan and Rocanville, and participates in production at Esterhazy. During 1981, two steps were taken to strengthen the Corporation's marketing of potash: PCS Transport was established to ensure efficient and reliable delivery to all customers including those in the offshore market, and in September, the Corporation established PCS International, a wholly owned subsidiary, established to market potash in countries other than Canada and the United States, which are handled by PCS Sales. In the North American market the unit train system, in which large shipments are taken directly to potash centres or warehouses in the American midwest, was expanded through the addition of a 54,000 ton centre located at Danville, Illinois. As well, construction of a fifth centre at Fort Dodge, Iowa, was begun.

Despite softening markets during 1981, the Corporation earned a net profit of $142 million on sales of $371 million. During 1981 the Corporation produced 3.88 million tonnes of product providing more than 2,224 jobs in total.

Saskatchewan Mining Development Corporation

Chairman —
Honourable Elwood Cowley
President —
R. E. Lloyd

Saskatchewan Mining Development Corporation was established to further the exploration and development of mineral resources with the exception of potash and sodium sulphate.

The Corporation carries out exploration activities either on its own or in partnership with other mining companies. Throughout 1981 SMDC was involved in 176 exploration projects with a fifth of these being operated by the Corporation. SMDC is a participant in the uranium mining operation at Cluff Lake which realized earnings of $10.9 million in its first year of production, resulting in a net profit to the Corporation of $5.6 million. SMDC is also a participant in the uranium mining development operation at Key Lake, where the uranium ore deposits are among the richest in the world. Construction on that project commenced in 1981. The Corporation is also involved in base and precious metal explorations in Western Canada.

At the end of 1981 the Corporation's assets had a book value exceeding $458 million. SMDC also provides a large number of employment opportunities in the North and the Corporation looks forward to playing an increasing role in the development of the North.

decline in Saskatchewan Power Corporation's net earnings which was caused by high borrowing and depreciation costs, a price which must be paid if the Corporation is to meet future energy requirements. Major expenditures included work on the Nipawin hydro-electric plant and the Poplar River coal-fired generating station. Saskatchewan Telecommunications' earnings remained constant from 1980 to 1981, as it continued to supply the province with reliable and modern services.

The eight service and financial corporations which have as their mandate the provision of good service at reasonable cost, employed over 1,900 people in 1981. They cover a wide range of ventures from lending and investing money, to selling furs and exporting special farm products, to running bus, printing and insurance companies. In adverse economic conditions such as those which we faced this year, it would not be uncommon for companies such as these to suffer losses. Yet, despite drastically increased inflation and interest rates, the corporations in this sector performed favourably. Five of the eight corporations in this sector showed a profit in 1981, as compared to only three in 1980. The most impressive of these was Saskatchewan Government Insurance, which improved its financial performance from a loss of $25 million in 1980 to a profit of over $12 million in 1981.

Since 1977, consolidated Crown Investments Corporation's assets have grown from $2.4 billion to $4.4 billion in 1980 and to $5 billion in 1981. The utilities segment has the largest portion of the consolidated assets at 49%, while the resource sector grew to 33%.

Saskatchewan Oil and Gas Corporation

Chairman —
Honourable Elwood Cowley
President —
J. R. S. Sadler

Saskoil was created in 1973 to participate in the exploration for and production of oil and gas, primarily within the province.

The Corporation continues with this emphasis, and is involved in a number of heavy oil projects. The most significant of these are the North Battleford heavy oil project involving Canterra, Total Petroleum and Saskoil, the Saskatchewan Heavy Oil Project involving Petro-Canada, Gulf Oil and Saskoil Upgrader Project involving Husky, Petro-Canada, Shell, Gulf Oil and Saskoil.

During 1981, Saskoil produced 3.5 million barrels of oil. This represents a reduction from 1980 production rates and reflects oil industry difficulties with the National Energy Program. Of 1981 production, 1.1 million barrels was heavy oil production (1980 - 635 thousand barrels). The Corporation increased its established reserves from 31.5 million barrels in 1980 to 36 million barrels. Heavy oil reserves account for 8.1 million barrels of this total.

The Corporation reported a net loss of $0.8 million (restated earnings in 1980 - $5.7 million) on gross revenue of $34.5 million (1980 - $34.5 million). Capital expenditures were $66.8 million (1980 - $41.9 million). These capital expenditures, amounting to ten times cash flow, demonstrate the Province's commitment to develop its oil resources and particularly its heavy oil resources.

Saskatchewan Forest Products Corporation

Chairman —
Honourable Don Cody
General Manager —
N. S. Denmark

Saskatchewan Forest Products Corporation was created to utilize and develop the forest resources of the province. Since its formation in 1946, SFPC has grown to become a major factor in the Province's forest industry, and now employs 600 full-time employees as well as 450 seasonal workers.

SFPC operates sawmills at Big River and Carrot River, a wood treatment plant at Prince Albert and the Province's only plywood manufacturing plant at Hudson Bay. SFPC is also completing construction of a joint venture overlay plant at Yorkton, which is expected to begin production early in 1982.

SFPC increased its sales in 1981 to $30.4 million from $22.4 million in 1980. Continued erosion of demand and prices for forest products in 1981

The return on average equity invested was 9% in 1981, compared with 17% in 1980. The decrease is largely due to a significant increase in the corporations' capital expenditures — expenditures which promise improved services, adequate energy supplies and utilities, and new jobs in the decades ahead. These expenditures totalled approximately $785 million. The majority of them were divided almost equally between the resource and utility sectors, with the major projects undertaken by the Potash Corporation of Saskatchewan, Saskatchewan Mining Development Corporation, Saskatchewan Oil and Gas Corporation, Saskatchewan Power Corporation and Saskatchewan Telecommunications.

The long-term debt remained constant at 60% of total capital. In 1981, the Saskatchewan Heritage Fund advanced $107.1 million to Saskatchewan Mining Development Corporation and Saskatchewan Oil and Gas Corporation.

The 1981 consolidated financial statement of Crown Investments Corporation also includes the earnings of CIC's equity holding in several private sector companies, comprising interests of 20% in Interprovincial Steel and Pipe Corporation Ltd., 16% in Agra Industries Ltd., 45% in Intercontinental Packers Ltd., 60% in Cablecom Corporation, 91% in Prairie Malt (Canada) Ltd., and a 25% voting interest in SED Systems Inc. Earnings to CIC from these shareholdings totalled $4.4 million in 1981 ($3.1 million in 1980). Because CIC held 100% of shares in Prince Albert Pulp Company in 1981 (30% in 1980), earnings from this company form part of CIC's consolidated financial results rather than appearing as part of equity shareholding returns.

resulted in a $2.16 million loss in 1981. This represents an improvement over the $2.6 million loss that was incurred in 1980. SFPC has retained earnings of $1.48 million.

Saskatchewan Minerals

Chairman —
Honourable Reg Gross
General Manager —
J. C. Mills

Saskatchewan Minerals was formed in 1946 to develop clay and other naturally occurring resources in the province. The Corporation operates sodium sulphate plants at Chaplin, Ingebrigt and Bishopric, and during 1981 purchased a fourth plant at Sybouts Lake. The Corporation also produces peat moss at Carrot River, and operates an energy storage research plant at Moosbank.

The Corporation had net earnings of $5.2 million in 1981, bringing the total cumulative earnings to over $34 million. The Province's equity in Saskatchewan Minerals is $6.4 million.

The Company employed over 200 people in 1981, most of whom live in the rural communities in which the Corporation operates.

Saskatchewan Economic Development Corporation

Chairman —
Honourable Norman Vickar
President —
N. Overend

Saskatchewan Economic Development Corporation, established in 1963, provides financing for industry and general business in Saskatchewan, complementing the activities of other financial institutions. SEDCO provides loans, guarantees and equity funding. It also offers developed or undeveloped property for sale or lease to industrial customers.

The Corporation's total loan portfolio at year end consisted of 413 loans and guarantees valued at $99.7 million.

1981 marks the first full year of operations of Innovation Place, the research park in Saskatoon which provides facilities for public and private research and development activities.

At year end SEDCO had assets of in excess of $145 million (1980 - $134.9 million) and reported net earnings of $3.1 million, which enabled the Corporation to pay a $2 million dividend.

Municipal Financing Corporation of Saskatchewan

Chairman —
Honourable Ed Tchorzewski
General Manager —
M. I. Meiklejohn

The Municipal Financing Corporation of Saskatchewan, established in 1970, assists in making capital funds available for the financing of local improvements, schools, hospitals, and other municipal projects. The Corporation purchases a portion of the authorized debentures sold each year by Saskatchewan local authorities. In

At the end of 1981, CIC also acquired 9.6% of shares of Nabu Manufacturing Corporation, an aggressive new Canadian firm in the microcomputer/telecommunications industry. Saskatchewan's investment in Nabu represents an opportunity for early involvement in a company with a good chance for dramatic growth and which has the potential for future industrial benefits to this province through a partnership of Saskatchewan's electronics capacity and Canada's high technology industry.

The overall picture presented by this overview and the following financial results is one of increasing expansion and diversification of the Crown corporation sector — important preparations for the long-term economic success of Saskatchewan. Future returns will depend upon significant, prudent investments made in the present, and that pattern of activity is reflected in this annual report.

1981, the Corporation participated in the financing of 66 projects by purchasing $12.2 million of municipal debentures (1980 - 58 projects). Among the projects supported were: a water distribution system in the town of Rabbit Lake; additions to schools in Yorkton and Shellbrook; and street paving and curbing in the town of Battleford.

Saskatchewan Government Insurance

Chairman —
Honourable Wes Robbins
President —
D. M. Wallace

Saskatchewan Government Insurance offers personal and commercial insurance to Saskatchewan residents and administers automobile coverage under The Automobile Accident Insurance Act.

Net premiums earned from general insurance were $96.0 million and payments to policy holders totalled $80.4 million. The Corporation reported an operating profit of $1.2 million in 1981 on general insurance in spite of the record experience of underwriting losses among other insurers throughout the industry.

In 1981, the Corporation earned premiums totalling $146.1 million (1980 - $107.2 million) under The Automobile Accident Insurance Act. Claims incurred amounted to $123.7 million (1980 - $116.5 million) resulting in a $10.9 million profit in the automobile accident insurance program. This profit marks a return to the financial health and security for which the Corporation has been traditionally known.

On March 1, 1982, SGI was able to repay $15 million of the $72 million of equity earlier advanced to the Corporation by Crown Investments Corporation.

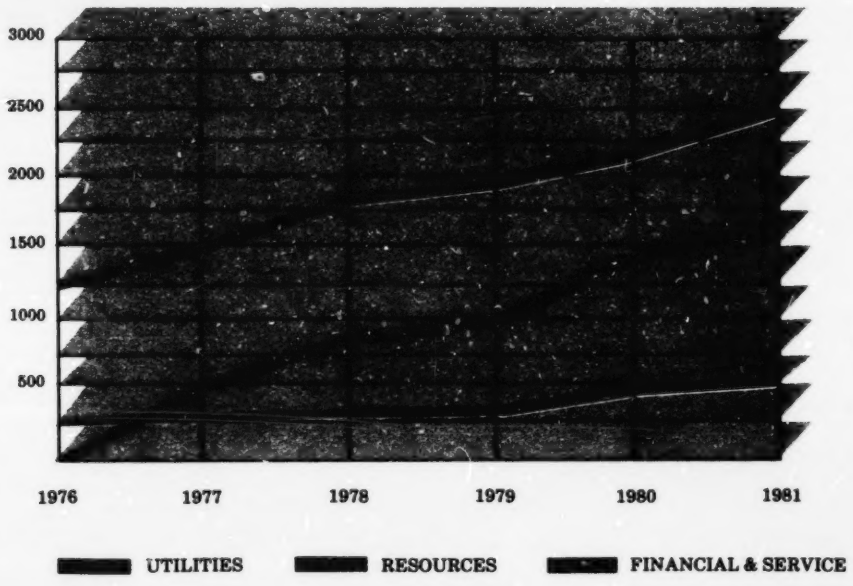
Saskatchewan Development Fund Corporation

Chairman —
Honourable Wes Robbins
General Manager —
D. C. Keith

The Corporation was established in 1974 to manage the Saskatchewan Development Fund. The Fund is composed of two parts: an annuity section which offers term annuities, and a Government guaranteed mutual fund section which is an investment vehicle available to residents of Saskatchewan.

Although high interest rates adversely affected the performance of the mutual fund section in 1981, growing participation in the annuity portfolio resulted in overall fund growth from $28 million to $50 million.

Assets (in millions of $)



Agricultural Development Corporation

Chairman —
Honourable Gordon MacMurchy
General Manager —
G. A. Wells

During 1981 Agdevco continued its role in the promotion of specialized agricultural products for trade, and in research and development of alternate agricultural products and processes. The Corporation also managed a water development project in Lesotho and a wheat production project in Zambia. Gross income for 1981 was $2.4 million compared to $1.3 million in 1980. Net income for the period was $217,000 compared to $114,000 in 1980.

Saskatchewan Transportation Company

Chairman —
Honourable Don Cody
General Manager —
R. M. Suggitt

Saskatchewan Transportation Company operates an inter-city bus service throughout Saskatchewan. During 1981 the Company experienced a substantial decline in passenger usage, primarily as a result of weather conditions.

During 1981 STC introduced the new Prairie Shuttle passenger service between Saskatoon and Regina, and acquired Cypress Charter Bus Lines, thereby adding a passenger service between Swift Current and Climax.

While revenues increased during the year, they were offset by expenses, resulting in a loss of $292,000.

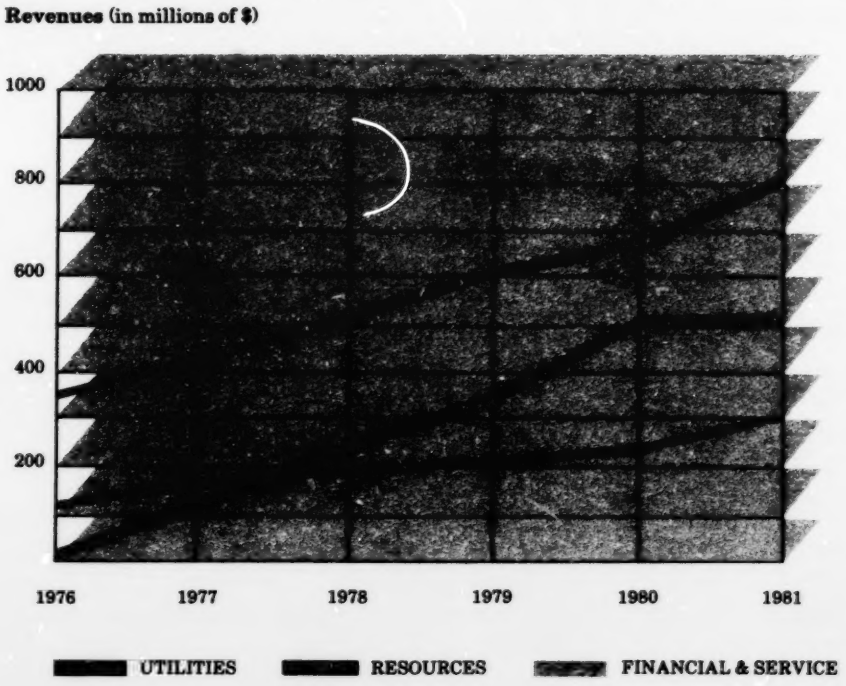
Saskatchewan Government Printing Company

Chairman —
Honourable Don Cody
General Manager —
D. B. Breher

The Saskatchewan Government Printing Company, one of Saskatchewan's first Crown corporations, was established in 1945 to provide a general printing and book binding service to the provincial government, its agencies, and Crown corporations.

Total revenue from sale of printing services for 1981 was $2,523,000, an increase of 21% over 1980. Net income for 1981 was $112,000, which was one of the highest profits in the Company's history.

The Company continues to make provision to improve its service and add new equipment to its plant. The Company's total assets were $2.6 million at December 31, 1981.



Saskatchewan Fur Marketing Service

Chairman —
Honourable Reg Gross
Manager —
A. J. Cooke

Saskatchewan Fur Marketing Service has provided a marketing facility for Saskatchewan fur trappers since 1945. Sales through the Service's auctions totalled $1.7 million in 1981, a drop from the 1980 level of $2.3 million. The reduction resulted from a general decline in volumes and a mixed situation with regard to prices over the previous year. Revenue from services was $237,000 for 1981 (1980 - $299,000). Net earnings in 1981 were $5,000 (1980 - $80,000).

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Consolidated Financial Statements 1981

Responsibility for Financial Statements

The financial statements have been prepared by the management of the Corporation in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year. The statements have been examined and approved by the Board of Directors.

Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in this report. In order to fulfill this responsibility, the consolidated corporations maintain appropriate systems of internal controls, policies and procedures, and ensure that their reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs.

Our independent auditor, whose report on the examination of the consolidated financial statements appears on page 16, reviews our systems of internal control in accordance with generally accepted auditing standards for the purpose of expressing his opinion.

S. R. Barg,
Vice-President,
Finance and Corporate Planning.

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Consolidated Statement of Financial Position

As at December 31

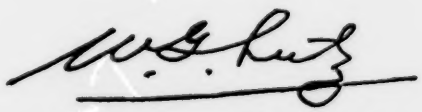
	Note Reference	1981	1980
		(thousands of dollars)	
Assets			
Current			
Short-term investments		$ 102,789	$ 228,618
Accounts receivable	3	295,479	272,308
Inventories		81,296	56,073
Prepaid expenses		122,989	73,372
		602,553	630,371
Investments	4	448,658	340,241
Property, plant and equipment	5 & 14	3,892,415	3,293,704
Deferred charges	6	121,505	98,400
		$5,065,131	$4,362,716

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the consolidated statement of financial position of Crown Investments Corporation of Saskatchewan as at December 31, 1981 and the consolidated statements of operations, reinvested earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
March 26, 1982.

W. G. Lutz, F.C.A.,
Provincial Auditor.

	Note Reference	1981	1980
		(thousands of dollars)	
Liabilities and Province's Equity			
Current			
Bank indebtedness	7	$ 289,809	$ 359,442
Accounts payable and accrued liabilities		474,536	360,745
Dividend payable		–	50,000
Notes payable	8	90,620	221,550
Deferred revenue	9	153,479	118,839
Long-term debt due within one year	10	69,614	119,007
		1,078,058	1,229,583
Long-term debt	10	2,395,338	1,866,227
Province of Saskatchewan's Equity			
Advances	12	807,730	606,630
Reinvested earnings		708,600	589,480
		1,516,330	1,196,110
Customer capital contributions	13	75,415	70,796
		1,591,745	1,266,906
		$5,065,131	$4,362,716

(See accompanying notes)

Consolidated Statement of Operations

For the Year Ended December 31

	Note Reference	1981	1980
		(thousands of dollars)	
Revenue			
Sales of products and services		$1,651,929	$1,313,116
Revenue from investments	4	74,641	57,705
Other		22,709	32,501
		1,749,279	1,403,322
Expenses			
Operating costs other than those listed below		1,062,312	801,940
Interest	11	251,387	154,397
Depreciation and depletion	14	185,816	133,900
Saskatchewan taxes and resource payments	15	130,644	140,237
		1,630,159	1,230,474
Earnings before extraordinary item		119,120	172,848
Extraordinary item		—	9,756
Net Earnings	20	$ 119,120	$ 182,604

(See accompanying notes)

Consolidated Statement of Reinvested Earnings

For the Year Ended December 31

	Unappropriated		Appropriated (Note 17)		Total	
	1981	1980	1981	1980	1981	1980
			(thousands of dollars)			
Balance, beginning of year, as restated Note 14	$352,971	$338,565	$236,509	$118,311	$589,480	$456,876
Net earnings	119,120	182,604	—	—	119,120	182,604
Dividend	—	—	—	(50,000)	—	(50,000)
Appropriations	(143,937)	(168,198)	143,937	168,198	—	—
Balance, end of year	$328,154	$352,971	$380,446	$236,509	$708,600	$589,480

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

	Note Reference	1981	1980
		(thousands of dollars)	
Sources of Working Capital			
Operations			
Earnings		$ 119,120	$ 172,848
Non-cash expenses		188,246	126,623
		307,366	299,471
Province of Saskatchewan			
Loans - Consolidated Fund		609,601	125,000
Loans - Saskatchewan Heritage Fund		10,000	13,400
Advances - Saskatchewan Heritage Fund	12	207,100	97,725
		826,701	236,125
Other long-term debt		11,778	120,000
		1,145,845	655,596
Application of Working Capital			
Capital expenditures, net of proceeds on disposals	20	785,687	530,827
Non-current assets acquired		—	171,312
Increase in investments		105,069	47,652
Repayments to Province of Saskatchewan			
- Loans - Consolidated Fund		93,321	55,992
- Advances - Consolidated Fund		6,000	—
Repayments of other long-term debt		1,138	101,135
Dividend		—	50,000
Other non-current items		30,923	3,285
		1,022,138	960,203
Increase (decrease) in working capital		$ 123,707	$ (304,607)

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1981

1. Summary of significant accounting policies

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements.

a) **Consolidation principles**

The Crown Corporations Act, 1978, assigns certain financial and other responsibilities to the Crown Investments Corporation of Saskatchewan regarding the corporations subject to Part II of the Act as defined by Order-in-Council 1267/78.

Crown corporations do not have share capital; however, several Crown corporations do have non-interest bearing advances from the Crown Investments Corporation of Saskatchewan which have been recorded as equity. These advances have been eliminated against the corresponding equity of the applicable corporations in this consolidation.

Equity advances have been made to the Potash Corporation of Saskatchewan, Saskatchewan Oil and Gas Corporation, and Saskatchewan Mining Development Corporation from the Saskatchewan Heritage Fund. However, for the purposes of these consolidated financial statements, advances from the Heritage Fund are reported as part of the overall equity advance to the Corporation.

The Crown Investments Corporation of Saskatchewan consolidates its subsidiaries, CIC Industrial Interests Inc. and Prince Albert Pulp Company Ltd., in accordance with the purchase method of accounting. The following corporations, which are subject to Part II of the Act, are consolidated in these statements in accordance with the pooling of interests method.

Utilities

Saskatchewan Computer Utility Corporation;

Saskatchewan Power Corporation and consolidated subsidiaries;

Saskatchewan Telecommunications;

Saskatchewan Water Supply Board.

Resource Corporations

Potash Corporation of Saskatchewan and consolidated subsidiaries;

Saskatchewan Forest Products Corporation;

Saskatchewan Minerals and consolidated subsidiary;

Saskatchewan Mining Development Corporation and consolidated subsidiary;

Saskatchewan Oil and Gas Corporation and consolidated subsidiary.

Financial and Service Corporations

Agricultural Development Corporation of Saskatchewan;

Municipal Financing Corporation of Saskatchewan;

Saskatchewan Development Fund Corporation;

Saskatchewan Economic Development Corporation;

Saskatchewan Fur Marketing Service;

Saskatchewan Government Insurance;

Saskatchewan Transportation Company;

The Saskatchewan Government Printing Company.

b) **Inventories**

Inventories for resale at various stages of manufacture are valued at the lower of cost and net realizable value.

c) **Property, plant and equipment**

Property, plant and equipment is recorded at cost and includes materials, services, direct labour and fringe benefit costs which are readily identifiable with the construction activity or asset acquisition. The cost of funds used to finance the construction of major projects is also included.

The costs of maintenance, repairs and renewals or replacements are charged to operations as incurred. The cost of replacements and improvements which extend productive life are capitalized as property, plant and equipment.

When property, plant or equipment is disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations. This general policy for all operations applies only to complete asset units in the Saskatchewan Power Corporation. Saskatchewan Telecommunications includes gains or losses in accumulated depreciation.

Property, plant and equipment includes land, buildings and equipment held for general office and plant purposes as well as electricity and gas supply facilities; capital leases; telecommunications property; oil and mineral leases as required; property under development for industrial enterprises; extractive machinery and equipment relating to potash, oil, gas and mineral activities; all costs arising from the development of shafts for potash mining as well as the exploration for and development of oil and gas reserves; and the joint venture investments of Saskatchewan Mining Development Corporation, Saskatchewan Oil and Gas Corporation and Saskatchewan Power Corporation which are accounted for by the proportionate consolidation method.

d) **Depreciation and depletion**

Buildings and improvements, machinery and equipment costs are depreciated primarily on the straight line basis over the estimated productive life of each asset.

Deferred property, exploration and development costs, are depleted according to the unit of production method, except for Saskatchewan Oil and Gas Corporation which, commencing in 1981, has adopted the revenue depletion method. Under the revenue depletion method, depletion and depreciation of production facilities are based on production revenues rather than production quantities. As a result of applying the revenue depletion method, the 1981 provision for depreciation and depletion is $8.7 million less than it would have been had the calculation been based on production quantities.

The approximate composite rate of depreciation and depletion is 5% on all property, plant and equipment excluding land, construction-in-progress and certain deferred capital costs of Saskatchewan Mining Development Corporation. The current undepreciable assets amount to $770 million (1980 - $827 million).

e) **Foreign exchange**

The temporal method of accounting for foreign exchange translation has been adopted. Long-term debt and related accrued interest payable in foreign currencies are recorded at exchange rates prevailing at the year end date. Where this conversion results in a difference between the previously recorded amount for long-term debt and the converted amount, the difference is included in deferred charges.

f) **Investments**

Investments maturing within one year are included with current assets and are valued at cost. This valuation approximates their quoted market value.

Portfolio investments include securities in private companies recorded at the lower of cost and net realizable value, and marketable securities, recorded at cost which includes the unamortized amount of purchase discounts and premiums which are amortized over the term of the security.

Investments in the shares of Interprovincial Steel and Pipe Corporation Ltd., Intercontinental Packers Limited, Agra Industries Ltd., SED Systems Inc., and Cablecom Corporation and Prairie Malt (Canada) Ltd., non-consolidated subsidiaries, are recorded on the equity method of accounting. The original cost of the investment is adjusted for dividends received and the investor's proportionate share of the earnings or losses of each investee corporation. The proportionate share of annual earnings for these investee corporations, less an amount which amortizes any difference between the original cost of the investment and the underlying book value of the investee corporations, is included in the accounts of Crown Investments Corporation of Saskatchewan as revenue from investments.

g) **Deferred charges**

Deferred charges include unamortized conversion differences arising from foreign exchange fluctuations, debt-related charges and pre-operating and pre-acquisition costs.

Unamortized conversion differences arising from foreign exchange fluctuations are amortized over the remaining period to the maturity date of each obligation.

Unamortized discounts and expenses applicable to the issue of long term debt are amortized in equal annual amounts over the respective term of each obligation. Gains earned on the retirement of sinking fund assets before maturity are included with deferred charges and are amortized over the respective initial term of each obligation.

Pre-operating and pre-acquisition costs are amortized over a period not exceeding 10 years.

h) **Leases**

Leases that transfer substantially all of the benefits and risks incident to the ownership of property, plant and equipment are classified as capital leases. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Property, plant and equipment recorded as capital leases are amortized on a basis similar to other assets in the same depreciation category.

i) **Pensions**

The corporations which have benefit-based pension plans make regular payments into their pension funds at the actuarially determined rates equal to the charges against income. These rates will provide for future pension benefits over the remaining working lives of the employees. The most recent actuarial valuations indicate that there are past service costs of approximately $51 million which will be funded and charged to future operations in this manner.

2. Status of the Crown Investments Corporation of Saskatchewan

The Corporation, then named The Government Finance Office, was established by Order-in-Council No. 535 dated April 1, 1947 and continues under the provisions of The Crown Corporations Act, 1978 as Crown Investments Corporation of Saskatchewan.

3. Accounts receivable

Accounts receivable include $51 million (1980 - $45 million) of utility revenue earned before December 31, but unbilled to customers at that time.

4. Investments

	1981	1980
	(thousands of dollars)	
Portfolio investments		
Shares - private companies	$ 18,477	$ 4,363
Bonds and debentures	166,324	130,277
	184,801	134,640
Equity investments	74,015	70,148
Loans	140,592	98,076
Property holdings	49,250	37,377
	$ 448,658	$ 340,241

Bonds and debentures have a market value of $121 million (1980 - $111 million).

Equity investments include an amount of $22 million (1980 - $23 million) which represents the Corporation's shareholding in Prairie Malt (Canada) Ltd., a non-consolidated subsidiary. Equity investments, which were acquired commencing in 1973, had differences between the cost and the underlying book value. These differences are being amortized on the straightline basis over periods ranging from 20 to 40 years. At December 31, 1981 the unamortized difference was $6 million. (1980 - $6 million).

The Corporation's proportionate share of 1981 net earnings for equity investments less amortization of the excess of cost over book value of $404 thousand (1980 - $404 thousand) amounted to $4 million (1980 - $15 million) and is included as revenue from investments.

5. Property, plant and equipment

	1981	1980
	(thousands of dollars)	
Land	$ 77,546	$ 72,027
Buildings & improvements	495,435	397,525
Machinery & equipment	3,129,716	2,502,779
Capital leases	32,085	32,085
Plant under construction	252,028	336,617
Deferred property, exploration & development costs	872,539	725,239
	4,859,349	4,116,266
Accumulated depreciation and depletion	966,934	822,562
	$3,892,415	$3,293,704

6. Deferred charges

	1981	1980
	(thousands of dollars)	
Unamortized conversion differences resulting from foreign exchange fluctuations	$ 46,384	$ 58,980
Discount on long-term debt	13,888	7,794
Pre-operating and pre-acquisition costs	61,233	31,626
	$ 121,505	$ 98,400

7. Bank indebtedness

Bank indebtedness includes an amount of $10 million that is secured by an assignment of certain assets.

8. Notes payable

Notes due to the Province of Saskatchewan's Consolidated Fund amounted to $90.6 million at December 31, 1981 (1980 - $151 million). The notes are interest bearing, having an annual average interest rate of 15.3% and are repayable on terms of less than one year.

9. Deferred revenue

	1981	1980
	(thousands of dollars)	
Unearned insurance premiums	$ 120,495	$ 92,402
Power utility revenue prepayments	28,779	22,680
Other	4,205	3,757
	$ 153,479	$ 118,839

10. Long-term debt

	Interest Rate	Year of Issue	U.S. Dollar Debt	Year of Repayment	1981	1980
			(thousands of dollars)		(thousands of dollars)	
Province of Saskatchewan - Consolidated Fund						
	5.50%	1961		1981	$ —	$ 4,843
	5.25	1961		1981	—	3,464
	5.00	1961		1981	—	1,265
	9.00	1974		1981	—	15,000
	5.50	1962		1982	6,496(a)	6,496
	7.75	1975		1982	12,000	12,000
	5.25	1962		1982	5,407(a)	5,407
	5.25	1963		1982	7,880(a)	7,880
	5.50	1962		1982	5,385(a)	5,385
	5.13	1962		1982	1,923	1,923
	5.00	1963	$ 15,855	1983	18,796(b)	18,927
	4.13	1958	10,505	1983	12,454(c)	12,540
	5.25	1963		1983	2,024	2,024
	5.00	1958		1983	6,779	6,779
	4.75	1959	11,677	1984	13,843(c)	13,939
	5.50	1964		1984	5,377(a)	5,377
	8.38	1977		1984	75,000(d)	75,000
	5.25	1964		1984	1,960	1,960
	5.00	1959	6,976	1984	8,270(c)	8,329
	5.50	1964		1985	5,214(a)	5,214
	5.50	1964		1985	8,643(a)	8,643
	5.50	1965		1985	2,140	2,140
	8.50	1977		1985	50,000	50,000
	11.25	1980		1985	50,000(c)	50,000
	5.88	1966		1986	2,400	2,400
	8.75	1976	75,000	1986	88,913(e)	89,531
	6.25	1966		1986	8,926(a)	8,926
	6.00	1967		1987	8,783(a)	8,783
	9.25	1978		1987	75,000	75,000
	5.29-5.61	1966-67		1986-87	22,344(g)	22,344
	15.60	1981		1986-88	100,000(u)	—
	13.375	1981		1986-96	150,000(t)	—
	5.37-6.53	1967-68		1987-88	20,363(g)	20,363
	7.25	1968		1988	11,025(a)	11,025
	16.25	1981	100,000	1988	118,380(c)	—
	6.40-7.17	1968-69		1988-89	35,908(g)	35,908
	7.63	1969	11,300	1989	13,396(f)	13,490
	7.16-8.33	1969-70		1989-90	40,357(g)	40,357
	4.88	1965	8,850	1990	10,490(c)	10,565
	8.75	1970		1990	15,000(h)	15,000
	6.79-8.14	1970-71		1990-91	42,868(g)	42,868
	5.75	1961		1991	2,450(a)	2,450
	16.375	1981	200,000	1991	237,089	—
	6.75-7.54	1971-72		1991-92	42,731(g)	42,731
	7.08-7.51	1972-73		1992-93	38,282(g)	38,282

10. Long-term debt (continued)

	Interest Rate	Year of Issue	U.S. Dollar Debt	Year of Repayment	1981	1980
			(thousands of dollars)		(thousands of dollars)	
	7.30-7.75%	1973-74		1993-94	$ 14,941(g)	$ 14,941
	5.50	1964		1994	3,769(h)	3,769
	7.61-9.25	1974-75		1994-95	21,176(g)	21,176
	8.80-9.34	1975		1995	9,577(g)	9,577
	8.83-8.93	1976-77		1996-97	5,790(g)	5,790
	8.88-9.03	1977		1997	8,509(g)	8,509
	7.75	1973		1998	30,000(i)	30,000
	8.25	1973		1998	30,000(i)	30,000
	9.36-10.16	1978-79		1998-99	44,183(g)	44,183
	10.00	1974		1999	45,000(i)	45,000
	10.20-10.68	1979		1989	16,205(g)	16,205
	9.88	1975		2000	70,000(j)	70,000
	11.75	1980		2000	75,000(c)	75,000
	10.25	1976		2001	75,000(k)	75,000
	9.00	1977		2002	75,000(i)	75,000
	9.50	1978		2003	75,000(i)	75,000
	10.00	1979		2004	100,000(i)	100,000
	8.70	1976	$ 125,000	2006	148,178(l)	149,221
	8.63	1977	125,000	2007	148,178(m)	149,221
	9.25	1978	125,000	2008	148,178(n)	149,221
			815,163		2,527,980	1,951,371
Sinking fund balance (Note p)					269,512(o)	229,236
					2,258,468	1,722,135
Saskatchewan Heritage Fund	9.3				20,000(s)	20,000
	13.0			1988	5,000	5,000
	13.0			1989	8,400	8,400
	17.0				10,000(v)	—
Total due to Province of Saskatchewan					2,301,868	$1,755,535
Bank loans						
-U.S. dollar					—	57,897
-Canadian dollar	Prime Related			1985	115,000(c)	115,000
Capital lease obligations	7.80			2014	31,199	31,612
Other long-term debt					16,875	25,190
			815,163		2,464,942	1,985,234
Long-term debt due within one year						
-U.S. dollar					—	57,897
-Canadian dollar					69,168	60,697
-Capital lease obligations					446	413
			$ 815,163		$2,395,328	$1,866,227

10. Long-term debt (continued)

Footnotes:

Note (a) — Callable in whole but not in part on any interest payment date on or after the interest payment date two years before maturity.

Note (b) — Callable in whole but not in part on any interest payment date on or after the first interest payment date in 1973.

Note (c) — Callable in whole or in part by lot.

Note (d) — Payable in $25 million installments each year 1982/83/84.

Note (e) — Callable in whole or in part on or after September 1, 1982.

Note (f) — Callable in whole or in part by lot on February 15, 1984 or on any subsequent dates at a premium until maturity.

Note (g) — The source of these funds was the Canada Pension Plan which requires its debentures to be subject to redemption on six months notice.

Note (h) — Callable in whole but not in part on any interest payment date on or after the interest payment date three years before maturity.

Note (i) — Callable in whole but not in part on any interest payment date on or after the interest payment date five years before maturity.

Note (j) — Retractable to November 3, 1983. Callable in whole or in part on any interest payment date on or after November 3, 1995.

Note (k) — Callable April 1, 1996 as a whole or on any interest payment date thereafter.

Note (l) — Callable November 15, 1991 as a whole or part by lot thereafter.

Note (m) — Callable as a whole on February 1, 1997 or any interest payment date thereafter.

Note (n) — Callable in whole or in part on or after April 15, 1993 with 30 days notice.

Note (o) — There is a requirement, attached to certain interest-bearing advances from the Consolidated Fund, to make annual payments to the Province in amounts representing 1% - 3% of the original advance. These annual payments are invested, at interest, by the Province with the cumulative aggregate being available for the retirement of the advances on their maturity dates.

Note (p) — Sinking fund and debt retirement requirements for the next five years are as follows; in thousands of dollars:
1982 - $ 69,168
1983 - $ 35,957
1984 - $ 41,708
1985 - $152,477
1986 - $293,915

Note (q) — Long-term debt payable in United States funds has been translated into Canadian funds at the year-end exchange rate of 1.1853 (1980 - 1.1938).

Note (r) — The composite rate of interest payable on long-term debt, prior to deduction of the sinking fund balance, was 9.6% (1980 - 8.9%).

Note (s) — Due in four equal annual installments June 20, 1984/85/86/87.

Note (t) — Due April 1, 1986, exchangeable for an equal amount of series CA 13.375% debentures payable April 1, 1996.

Note (u) — Payable in two annual installments of $30,000,000 each on July 22, 1986 and 1987 and one final installment of $40,000,000 on July 22, 1988.

Note (v) — Due in five equal annual installments September 2, 1991/92/93/94/95.

11. Interest

	1981	1980
	(thousands of dollars)	
Interest on long-term debt	$249,151	$182,647
Amortization of debt discount	1,681	1,383
Amortization of foreign exchange conversion differences	4,634	6,464
	255,466	190,494
Less		
- sinking funds earnings	24,709	19,709
- gain on debt retirement	2,193	2,300
- interest capitalized	61,642	50,258
	88,544	72,267
Long-term debt expense	166,922	118,227
Short-term interest expense	84,465	36,170
	$251,387	$154,397

12. Province of Saskatchewan's equity

All advances are non-interest bearing and are repayable at the discretion of the Province.

Advances from the Saskatchewan Heritage Fund to those Crown corporations consolidated herein amounted to $808 million at December 31, 1981 (1980 - $601 million).

During the year the Crown Investments Corporation of Saskatchewan repaid the equity advance of $6 million to the Province of Saskatchewan Consolidated Fund.

13. Customer capital contributions

Customer capital contributions are required by Saskatchewan Power Corporation when the estimated cost of providing future service, beyond the anticipated service life of the provided facility, to certain customers is expected to exceed the revenue to be received from these customers. Customer contributions, in this respect, amounted to $5 million during the year (1980 - $4 million).

Customer contributions required in respect of utility service expected to be economically self-sustaining for the estimated service life of the provided facilities is credited to power utility revenue prepayments (Note 9) and amortized to revenue over the appropriate period.

14. Prior period adjustment

Prior to 1981, Saskatchewan Oil and Gas Corporation followed the full cost method of accounting for oil and gas operations using only one area of interest. The Saskatchewan Oil and Gas Corporation retroactively modified its full cost method of accounting for oil and gas operations to reflect two areas of interest, conventional oil and gas and heavy oil.

As a result of this change, retained earnings at January 1, 1981 have been increased by $2.3 million with a corresponding increase in property, plant and equipment. Net income for 1980 has been increased by $1.4 million by applying this change retroactively.

15. Saskatchewan taxes and resource payments

	1981	1980
	(thousands of dollars)	
Resource royalties and payments		
Potash resource payments	$ 65,914	$ 86,456
Oil royalties	20,703	23,860
Timber dues	1,597	1,093
Sodium sulphate royalties	1,042	772
	89,256	112,181
Grants in lieu of taxes to municipalities	20,298	15,359
Insurance premium tax	7,127	5,560
Capital tax	6,294	3,358
Other	11,950	5,253
Total paid or payable	134,923	141,711
Amounts capitalized	(49)	(27)
Amounts inventoried	(4,230)	(1,447)
	$130,644	$140,237

Incentive credits received from the Province of Saskatchewan pursuant to the Oil and Gas Incentives Regulations, 1978 amounted to $2.6 million (1980 - $3.5 million). The total 1981 credit was applied to the cost of property, plant and equipment.

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments.

16. Commitments and contingencies

The Corporation and its consolidated Crown corporations had the following commitments as at December 31, 1981:

(a) natural gas contracted for future delivery for approximately $963 million valued at current prices,

(b) capital expenditures for approximately $717 million. Long-term debt of approximately $230 million has been assumed since December 31, 1981 for the purpose of financing these capital expenditures,

(c) oil exploration and development expenditures over the next 5 years of approximately $13 million,

(d) approved but undisbursed purchases of municipal debentures of approximately $5 million,

(e) lease payments of approximately $21 million for its 1982 fiscal period,

(f) approved but undisbursed loans of approximately $44 million, loan guarantees in force of approximately $11 million and loan guarantees authorized but not used at December 31, 1981 of $5 million, (1980 - $4 million),

(g) financial commitments arising from various exploration and development joint venture agreements,

(h) on November 18, 1981 the Crown Investments Corporation of Saskatchewan entered into a contract whereby it agreed to purchase all of the outstanding shares of North Canada Air Ltd. for $2.4 million. The share purchase is conditional upon certain approvals of the Governor-in-Council, the Canadian Transport Commission pursuant to the Aeronautics Act, R.C.S. 1970 Chapter A-3 and the Lieutenant Governor in Council pursuant to the Crown Corporations Act, 1978.

The corporations are the defendants to several unresolved statements of claim. The corporations have provided in their accounts for these claims in accordance with the advice received from legal counsel. The corporations intend to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

Compensation for an asset acquired by Saskatchewan Power Corporation has been referred to the Court of Queen's Bench as provided for in the Regulations under The Water Power Act. Any settlement, of a material nature, in excess of book value will be treated as a prior period adjustment.

17. Reinvested earnings — appropriated

	Appropriated Reinvested Earnings-Saskatchewan Heritage Fund	Appropriated Reinvested Earnings-A.A.I.A.	Appropriated Reinvested Earnings-Other	Appropriated Reinvested Earnings-Total
		(thousands of dollars)		
January 1, 1980	$ 104,349	$ —	$ 13,962	$ 118,311
Appropriations - 1980	117,449	—	749	118,198
December 31, 1980	221,798	—	14,711	236,509
Appropriations - 1981	141,721	—	2,216	143,937
December 31, 1981	$ 363,519	$ —	$ 16,927	$ 380,446

The appropriation of reinvested earnings in respect to the Saskatchewan Heritage Fund and A.A.I.A. are in accordance with a resolution of the Corporation's board of directors made pursuant to The Crown Corporations Act, 1978. The reinvested earnings of Potash Corporation of Saskatchewan are subject to dividend payouts by Crown Investments Corporation of Saskatchewan only to the Saskatchewan Heritage Fund. The net earnings derived from Saskatchewan Government Insurance's administration of The Automobile Accident Insurance Act, are reserved for the administration of the Act.

Appropriated reinvested earnings — other — includes an appropriation of the reinvested earnings derived from Saskatchewan Power Corporation for the purpose of rate stabilization in the amount of $13.7 million (1980 - $13.7 million).

18. Remuneration of directors and senior officers

The Corporation's eight directors received $4,650 (1980 - NIL) remuneration from Crown Investments Corporation of Saskatchewan as directors. The 12 senior officers (1980 - 12) received, in aggregate, $609,993 in salaries for 1981 (1980 - $553,065). One officer was also a director.

19. Related party transactions

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and non-Part II Crown corporations with which the corporation is related.

Account balances resulting from these transactions are included in the consolidated statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the consolidated financial statements and the notes thereto.

20. Segmented information

	Utilities		Resources		Financial & Services		Consolidated Operations	
	1981	1980	1981	1980	1981	1980	1981	1980
	(millions of dollars)							
Statement of Operations								
Revenue	$ 818	$ 689	$ 520	$ 509	$ 313	$ 241	$ 1,651	$ 1,439
Operating costs	512	429	217	172	271	242	1,000	843
Interest	146	107	8	11	18	13	172	131
Depreciation, depletion	112	92	50	39	2	2	164	133
Saskatchewan taxes	25	15	96	118	9	7	130	140
	795	643	371	340	300	264	1,466	1,247
Segment margin	$ 23	$ 46	$ 149	$ 169	$ 13	$ (23)	185	192
Earnings from equity investments (Note 4)							4	25
Interest, general corporate expenses and subsidiary							(64)	(32)
Intercorporation profits							(6)	(2)
Corporate net earnings							$ 119	$ 183

Revenue and expenses are recorded before the elimination of intercorporation transactions. These transactions are priced at open market prices for similar products and services and are eliminated in the determination of the consolidated statement of operations.

Interest, general corporate expenses and subsidiary include CIC Corporate results and Prince Albert Pulp Company Ltd.

Financial and Services sector revenue includes $20 million (1980 - $13 million) representing a portion of the Province of Saskatchewan's motive fuel tax that has been designated by the Province as insurance premiums.

	Utilities		Resources		Financial & Service		CIC Corporate		Consolidated Operations	
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980
	(millions of dollars)									
Other financial information (net of inter-corporation transactions)										
Investments	$ 4	$ 3	$ 1	$ 1	$ 330	$ 267	$ 114	$ 69	$ 449	$ 340
Property, plant & equipment	$ 2,196	$ 1,927	$ 1,435	$ 1,122	$ 43	$ 40	$ 218	$ 204	$ 3,892	$ 3,293
Capital expenditures	$ 379	$ 303	$ 366	$ 226	$ 6	$ 2	$ 35	$ 171	$ 786	$ 702

For the purposes of providing the foregoing segmented information given in this note, CIC Corporate includes CIC, CIC Industrial Interests Inc. and Prince Albert Pulp Company Ltd.

POOR

QUALITY

ORIGINAL